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THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.

DECEMBER 18, 1939

VOLUME OF RESIDENTIAL BUILDING RELATED TO
COSTS AND RENTS, UNITED STATES, 1919-39

INDEX NUMBERS (1923-25=100)



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U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

THE VOLUME OF RESIDENTIAL BUILDING TENDS TO FOLLOW THE RATIO OF RENTS TO CONSTRUCTION COSTS, ALTHOUGH MANY OTHER FACTORS ALSO ARE IMPORTANT. WHEN RENTS ARE RELATIVELY HIGH, MORE PEOPLE FIND IT DESIRABLE TO BUILD THEIR OWN HOMES OR TO INVEST IN HOUSES FOR RESIDENTIAL PURPOSES. WHEN THE RATIO DECLINES, IT BECOMES RELATIVELY MORE DESIRABLE TO RENT THAN TO OWN. THE USUAL EFFECTS OF RENT-COST RELATIONSHIPS ON BUILDING VOLUMES MAY BE OFFSET, AT LEAST TEMPORARILY, BY NEW CONDITIONS SUCH AS THE MORE LIBERAL FINANCING TERMS UNDER FHA SINCE EARLY 1938.

SUMMARY

Improvement in conditions affecting the domestic demand for farm products has been pronounced since August. Industrial activity, as the year draws to a close, is the highest after allowance for seasonal movements - on record. This assures continued strength in domestic consumer demand into early 1940, until effects of the expected slackening in productive activity after the turn of the year become apparent. The downturn is not likely to develop into a prolonged or severe recession.

The European War has caused marked changes in foreign demand for individual farm products, but the over-all effect, though slightly adverse, has not yet been great. The war is not expected to increase export demand for farm products during the next few months, but increased foreign purchases of industrial products may be a factor of strength in the domestic demand situation.

Wholesale commodity prices in general are somewhat below the September peak, but recently there have been signs of strength in several important farm commodities. The largest relapses since September have been in the farm and food groups. Despite the stimulating effects of war on world commodity prices, no pronounced rise in the general price level is expected in the near future.

Prices of farm commodities and the relation of such prices to those paid by farmers, on the basis of preliminary indications, were the highest in December since January 1938, though the averages for 1939 were somewhat below those of the previous year.

Farmers' income from marketings in November shared about the usual seasonal decline from October. In the next few months income is expected to make less than the usual seasonal decline and will be larger than in the corresponding months last year.

- Lambs: Prices of lambs were steady in early December after some weakness in November. Slaughter supplies of lambs in the 1939-40 fed-lamb marketing season (December-April) probably will be larger than in the 1938-39 season, but supplies in the late months of the season may be smaller than a year earlier.
- Wool: Prices of domestic wool at Boston declined slightly in November but they are still about 40 percent higher than before the sharp rise in September. Mill orders for wool fabrics at the end of October were reported to be sufficient to maintain a high rate of mill activity through January. With supplies of wool in the United States on November 1 smaller than on that date in any recent year, large imports are probable in the first half of 1940.
- Butter: Butter prices probably have reached the seasonal peak for the winter 1939-40, but during the remainder of the feeding season prices are expected to average higher than a year earlier. Butter production during the winter feeding period may be nearly as large as the high production for that period in 1938-39.
- Poultry and eggs: Lower egg prices have brought about a rapid rise in the feed-egg ratio at Chicago. During October and November the into-storage movement for poultry was 10 percent above that of last year, and stocks of both eggs and poultry on December 1 were larger than a year earlier.
- Potatoes: Potato prices at market centers were practically unchanged in early December as compared with a month earlier.
- Truck crops: With supplies of most truck crops coming largely from the Southern States, Arizona, and California, market prices of these products advanced somewhat during November and in early December averaged generally above those of a year earlier.
- Fruits: Market prices of most fruits rose slightly during November but in early December were generally slightly lower than a year earlier. Although domestic demand for fruits has improved over a year ago, increased production in some instances and curtailed exports generally have resulted in somewhat lower prices this season.

DOMESTIC DEMAND

Consumer income, after gradually improving from May to September, has risen sharply in recent months. This rise accompanied an even sharper increase in industrial production, which in November equalled that of the peak month of 1929. Although industrial production is expected to decline early in 1940, consumer income may continue to increase into the new year.

A summary of the situation by commodities:

- Cotton:** Domestic cotton prices advanced about 1 cent per pound between mid-November and mid-December. On the latter date prices were 1-3/4 cents higher than a year earlier and the highest since August 1937. The increase in prices during the past month was largely due to the continued high rate of domestic mill consumption and a high or increasing rate of consumption in several other important countries, large domestic export sales, and the recently announced Government loan on the 1939 crop.
- Wheat:** Wheat prices rose sharply from November 28 through December 7 as a result of several factors, including increased exports of Canadian wheat, frost and rust damage in Argentina, and continued deterioration in domestic wheat prospects.
- Feed grains:** Advances in prices of feed grains and feedstuffs from mid-November to early December apparently reflected the reduced production of fall and winter forage crops, and advancing wheat prices. The 57-cent loan again available on corn is tending to support corn prices in the commercial area.
- Flaxseed:** World supplies of flaxseed in 1940 are expected to be somewhat larger than in 1939, and the demand in Europe probably will weaken. Demand for linseed oil and for flaxseed in the United States, however, will continue to be supported by a relatively high level of building construction and by curtailment of supplies of tung oil from China. Flaxseed prices at Minneapolis in early December were about 45 cents per bushel higher than in August and were slightly higher than a year earlier.
- Hogs:** The seasonal increase in hog marketings probably will continue into January, and the decrease in marketings in the late winter may be less than usual. Prices of hogs declined almost steadily from late October through early December chiefly because of the seasonal increase in supplies. By early December hog prices had declined to a lower level than that before the sharp rise in September.
- Cattle:** Marketings of grain-fed cattle during the winter and spring of 1940 are expected to be larger than a year earlier. Supplies of other kinds of cattle probably will be smaller. After declining in late October and early November, prices of the better grades of cattle strengthened moderately in late November and early December. Prices of the lower grades of slaughter cattle have advanced seasonally since mid-October.

Industrial production in November was 125 percent of the 1923-25 average. It is expected to reach a new all-time high this month. Principal industries contributing to the recent recovery in industrial production and consumer income are steel, mining, textiles, residential building, and some of the lesser industries such as airplanes, machinery, and railway equipment. Production in these industries as a whole, will remain relatively high in the first few months of 1940, but in specific industries it may not be as high as at present. New orders for textiles apparently are in substantially smaller volume now than shipments from mills, which still have a considerable backlog of unfilled orders. New orders for steel have declined materially since the wave of buying in September, and although mill backlogs are still large the pressure for delivery is subsiding and a substantial increase in new business would be necessary to maintain present rates of production much longer.

The renewed rise in residential building following the 1939 reduction in interest rates on F.H.A. insured loans has probably about run its course, but no substantial decrease in volume of such construction is in prospect in the near future. Railway equipment and airplane manufacturers will be kept busy on present backlogs for several months. The recent adjustment of the labor difficulties in the Chrysler automobile plants will result in a higher rate of automobile production in December and January than would otherwise have prevailed.

War has had little direct effect upon domestic business to date. The October rise in exports was only seasonal. Indirectly, however, the effect has been marked. The rise in commodity prices following the outbreak of war in Europe stimulated forward buying of many industrial products, in contrast to the hand-to-mouth buying policies in effect during the preceding months. Industrial activity responded with one of the steepest rises on record. A considerable increase would have occurred in any event, but these war conditions probably have increased the aggregate industrial output for 1939 by at least 5 percent. There has been an accumulation of inventories, although apparently not as great as in 1937. Unless war orders increase in number and in volume much more than now seems probable, it is difficult to see how the rate of industrial output can be continued at anywhere near the present level. But any recession which may develop is not expected to assume the proportions of a depression, and recovery should be sufficiently early and substantial to raise the average level of industrial activity for 1940 above that for 1939.

Fluctuations in consumer income during the next several months probably will be much less marked than changes in industrial production. The effects of the general improvement during the last half of 1939 will carry over into 1940. A short-time decline in production of considerable severity or a more moderate one lasting for a longer period than now seems probable would be required to bring any substantial reduction in the incomes of city people as a whole.

FOREIGN DEMAND

War continues to dominate the export demand outlook. It will have important effects on a number of individual commodities, but these influences will be partly offsetting, and the net effect on exports of farm products during the first year of hostilities may not be very great.

The value of agricultural exports in September was almost exactly the same as in September 1938, but was much greater than in August. There was a further increase in total agricultural exports from September to October. These recent increases in total exports apparently are a result of influences not connected with the war; in fact, they probably would have been greater if there had been no war.

For the first year of the war, export demand for our farm products as a whole probably will be somewhat greater than in the preceding year. This, however, will not be the result of war. Cotton, our leading agricultural export, would have experienced a substantial increase in exports if the war had not occurred. Exports of hog products also probably would have been increased, as a result of larger supplies in this country. These changes probably would have resulted in some increase in both the volume and value of total agricultural exports, despite decreases which probably would have occurred for some other products including wheat, feeds, tobacco, and possibly fruits. Recent changes in crop conditions leading to reduced production of small grains probably mean that little wheat will be exported in 1940.

The European War has modified these prospects in relatively small degree. Cotton exports may be smaller than they would have been in the absence of war, but increased exports of cotton textiles to neutral countries will partly offset the effects on exports of raw cotton. Exports of fresh fruits, tobacco, and possibly wheat and feeds will be smaller than they otherwise would have been. The British and French are not now issuing any licenses for imports of apples from the United States, thus completely shutting off their markets for this important fruit to American producers. Exports of hog products, dried fruits, soybeans, and evaporated milk probably will be increased by the war. If these prospective effects are weighted in accordance with the relative importance of the commodities and quantities involved, it appears that in its first year the war will have relatively little net effect upon total exports of farm products from the United States, but that if anything this net effect will be unfavorable.

The effects of the war upon prices and incomes received by United States farmers in 1939-40 will be considerably greater, however, than these prospective changes in the volume of exports might indicate. The greatest effects will be indirect, through the stimulation of domestic industrial activity and consumer purchasing power. This will add to the domestic demand for farm products. Moreover, for some relatively nonperishable commodities, such as wheat, the effects on prices of changes in fundamental supply and demand conditions may be distributed over a considerably longer period of time than that in which they actually occur. The fact that a war is in progress presents a possibility of future increases in export demand which causes buyers and sellers of farm products in general to be more optimistic, and hence willing to take greater risks in holding commodities for future sale. Thus, prices of grains, cotton, hog products, and other commodities advanced after the outbreak of war, at least partly as a result of speculative anticipation of future increases in export demand which may actually develop later as the war progresses. Thus, although the European War apparently will not be responsible for any actual increase in exports of our farm products during the first year of hostilities, it probably will result in a net increase in the total demand for farm products.

WHOLESALE PRICES

Wholesale prices advanced sharply for about 2 weeks after the outbreak of war in Europe. In mid-August the composite index of wholesale prices was the lowest in about 5 years. The extreme advance from the week ended August 19 to that ended September 23 carried the Bureau of Labor Statistics index of wholesale prices up from 74.6 percent of the 1926 average to 79.5 percent - a gain of 6.6 percent. No further progress in the composite index has since occurred. But nine-tenths of the advance has been retained; and prices, exclusive of the farm and food products groups, have risen further. The latter groups had declined about 4 and 6 percent respectively by early December.

Pronounced strength has recently been apparent in prices of some important farm commodities - notably cotton and wheat. Domestic consumption of cotton has been high, exports under subsidies have been substantially above those of last season, and the new Government loan has been a factor of strength. Total supplies of cotton are still large, but the major portion is held under Government loans and not pressing for sale.

Wheat prices have been under the influence of lower Argentine yields than had been expected, adverse growing conditions in the winter wheat belt of the United States, and heavy Canadian exports. Exchange difficulties will tend to curtail export demand for wheat, but prospective low yields of winter wheat will dominate the domestic market and largely obscure effects of any decrease in exports.

Industrial products price trends will depend largely upon the course of industrial activity and the rate at which goods move into consumption. The immediate outlook is for some relaxation in production, which may prevent additional substantial rises in prices of raw materials in the near future. Prices of some finished commodities eventually will show some increase in response to higher costs, but these adjustments are not expected to be rapid. Later, the trend will depend in part on war orders. These apparently have not been a major factor as yet except for a few commodities, though gradual liquidation of foreign holdings of American securities and release of considerable gold from earmark suggest either more substantial purchases already than is generally known or preparation for heavier buying in the future.

Governmental controls in belligerent nations and coordinated purchasing policies may tend toward more orderly price movements than would otherwise occur under war-time conditions. Such controls may not, however, be able to prevent a considerable rise in world prices. Prices advanced substantially in the United Kingdom both in September and October, with extensive controls in operation. Despite certain characteristics which distinguish each major war from its predecessor, all have been accompanied by rising commodity prices. Effects of the European war on prices in this country in 1940 may not be pronounced, but a moderate increase in the general level is most probable.

PRICES RECEIVED AND PAID BY FARMERS

Changes in prices of farm products in central markets from mid-November to December indicate that the composite index of prices received by farmers has fully recovered the small loss which followed the previous peak in September and has reached a point as high as or higher than for any previous month since January 1938. Price gains for wheat, corn, and cotton have been especially marked during the past month, whereas there have been substantial declines -- in part of a seasonal nature -- in egg and hog prices.

The general level of farm products prices in November was unchanged from October at 97 percent of the 1910-14 average. This was but one point below the September peak, when the index was ten points above a 5-year bottom in August. Strengthening factors in the farm commodity price situation include: improving consumer purchasing power, drought in the winter wheat area and lower production in Argentina than previously expected, recent announcements of new loan programs for cotton and corn.

Prices paid by farmers remained unchanged at 122 percent of the 1910-14 average from September to November inclusive, but they may show an increase in December. On the basis of these preliminary indications of price movements from November to December, the relation of prices received to prices paid by farmers was the most favorable to farmers since January 1938.

FARM INCOME

Farmers' income from marketings in November made somewhat less than the usual seasonal decline from October. Income from livestock increased more than seasonally, and income from crop sales decreased slightly less than usual. Total income from marketings this November was about the same as the total for November 1938. Government payments were much larger this November than last and were nearly as large as in October.

Income from grains this November was considerably smaller than in November 1938, mainly because of the larger amount of corn sold or placed under loan in November last year. No corn loans were made on the 1939 corn crop until after December 1 whereas in 1938 a large volume of loans was made in November. Income from cotton was also much smaller this November than last. Income from fruits, and vegetables, was slightly larger and income from tobacco was more than twice as large as in November last year.

Although marketings of hogs were much larger in November than in October, prices were enough lower so that income from hog marketings was slightly less than in October, but it was larger than the income for November 1938. Marketings of other meat animals were slightly smaller in November than in October, and prices were somewhat lower so that income from these products was slightly smaller. Income from dairy products and from wool declined less than usual from October to November. Income from chickens and eggs in November advanced seasonally from October but was smaller than in November last year.

Income from corn is expected to increase much more than seasonally in December since a larger volume of corn will be placed under Commodity Credit loans in this month. In view of prospective marketings and prices for the more important farm commodities, it now appears likely that the decline in farm income in the next few months will be less than usual and that income will average substantially higher than a year earlier. Month-to-month comparisons may be affected somewhat by the rate at which corn loans are made.

COTTON

Domestic cotton prices made a net advance of $1\frac{1}{2}$ cents per pound during the month ended December 14. Middling 7/8" at the ten markets on December 13 averaged 11.11 cents per pound, the highest since August 1937 and $2\frac{2}{3}$ cents above the average for December 1938, but declined to 10.55 cents on December 14. The strength in domestic prices during the past month was apparently largely due to the continued high rate of domestic mill consumption, the high or increasing rate of consumption in several important foreign countries, large sales of American cotton for export, and the announcement on November 7 of a Government loan on the 1939 crop.

In November, domestic mill consumption was about one-fifth larger than a year earlier and was the highest for the month on record. Mill activity slackened somewhat during late November and early December, but continued exceptionally high. Manufacturers' sales of cotton textiles continued well below production up through December 7, resulting in a further decline in unfilled orders. But during the week ended December 14 sales were large and orders greatly increased. The exceptionally high present rate of consumption and the probable decline in business activity may result in a further decline in cotton mill activity during the next 2 or 3 months. For the year ended July 31, 1940, domestic consumption, however, should greatly exceed that of last season.

Reports indicate that in Great Britain, Italy, Holland, Japan, and some other foreign countries cotton mill activity either is continuing at a high rate or has increased considerably during the past few weeks. The favorable developments in these countries appear to have more than offset the unfavorable developments which are believed to have taken place in the German controlled area and in certain other countries.

Exports of American cotton during November were about 20 percent greater than the exceptionally low exports of November last year but much smaller than the 10-year November average. During the first 2 weeks of December, exports continued greatly above the low level of a year earlier. Total exports of 2,660,000 bales from August 1 to December 13 were 920,000 bales or about 53 percent larger than a year earlier. Sales of nearly $5\frac{1}{2}$ million bales of cotton were reported for export under the Domestic Export Program through December 13, but sales may now run at a reduced rate since the export payment rate has been reduced from 1.50 cents to 0.20 cent per pound.

WHEAT

Wheat prices in foreign and domestic markets advanced sharply since late November as the result of a number of factors, including continued deterioration in domestic wheat prospects, large export sales of Canadian wheat, and frost and rust damage in Argentina. No. 2 Hard Winter wheat at Chicago rose from 91 cents on November 15 to \$1.03 on December 14, which was the highest price for No. 2 Hard Winter Wheat since early 1938. The rise in futures prices was somewhat greater, the December future reaching a high of \$1.04 on December 14, compared with the high of 87-3/4 cents and close of 87 cents on November 15. On December 13 contract wheat sold for over one dollar for the first time since October 1937.

With the poor winter wheat crop prospects and dry conditions prevailing in the Great Plains spring wheat area, production in the United States in 1940 may turn out to be less than domestic requirements. Exports in 1939-40, however, are expected to be considerably smaller than a year earlier, as is domestic disappearance also, so that the moderately large supplies in 1939-40 may result in a larger carry-over on July 1, 1940 than the 254 million bushels on July 1, 1939. Export sales of wheat and flour made wholly of United States wheat from July through November totaled about 27 million bushels compared with 39 million bushels for the same period of 1938. Domestic disappearance for the 1939-40 year is estimated at 675 million bushels compared with 721 million bushels in 1938-39. A moderately large carry-over at the beginning of the 1940-41 season will assure ample supplies of all classes of wheat, including hard red winter wheat, even if the 1940 crop is somewhat less than domestic consumption.

Wheat production in Argentina, where the harvest is now under way, may not exceed 145 million bushels as the result of unfavorable weather. This is a decline of about 50 million bushels from the Bureau's estimate of a month ago. With the exception of 1935, a crop of this size would be the smallest since 1916. The crop last year of 336 million bushels was the second largest on record. The official estimate for Australia has now been increased slightly from 180.0 million bushels to 182.5 million bushels. Largely as the result of the decreased estimate for Argentina the world production, excluding the U.S.S.R. and China, is now placed at 4,230 million bushels which is 355 million bushels less than the record crop of last year. However, with an increase in the carry-over last July of 590 million bushels compared with July 1938, world supplies for the current year are about 235 million bushels larger than in 1938-39.

CORN AND OTHER FEED GRAINS

Corn prices advanced about 6 cents per bushel, and oats and by-product feed prices advanced slightly, from mid-November to early December. Barley prices were practically unchanged. Advances in prices of feeds and feed grains apparently were due partly to the drought in large areas of the mid-west, which has reduced the growth of fall and winter forage crops, and partly to increasing wheat prices. The announcement of the 57-cent loan available on corn from December 1 to March 31 may have given some support to corn prices in the commercial corn-producing area. The rate of 57 cents applies to corn testing 15½ percent or less in moisture content.

No revisions have been made in the estimates of feed grain supplies since the November issue, when total supplies of feed grains available after October 1 were estimated to be 110 million tons compared with 104 million tons last year and 101 million tons for the 1928-32 average. Supplies per animal are slightly smaller than a year ago but much above average. Total receipts of corn during the months October - November were somewhat smaller than during these 2 months of 1937 and 1938, but, with the exception of these years, they were the largest for this period in more than 15 years. Exports of corn and barley have increased substantially since August, and during October were somewhat larger than for October 1938. Exports of oats have continued negligible. Total exports of feed grains during 1939-40 are expected to be no larger than during 1938-39, and may be smaller.

FLAXSEED

World supplies of flaxseed are expected to be larger in 1940 than in 1939, chiefly because of an increase in the crop now about ready for harvest in Argentina. The acreage of flax seeded in the United States in 1939 was the largest since 1936, and if flaxseed prices continue high compared with wheat and soil moisture is adequate next spring, a further expansion in domestic flax acreage seems probable for 1940.

As a consequence of reduced building activity in Europe resulting from the war, the European demand for flaxseed in 1940 probably will be weaker than in 1939. But demand in the United States is likely to be well maintained. The total volume of building construction in this country in 1940 is not expected to be greatly different from that in 1939, although general business activity and the commodity price level probably will be higher. Continued difficulties in securing shipments of tung oil from China because of military operations in that country also will tend to support the demand for linseed oil and for flaxseed in the United States.

The price of No. 1 flaxseed at Minneapolis in early December, at \$1.98 per bushel, was slightly higher than a month earlier and a year earlier. It was about 45 cents higher, moreover, than in August this year, and was about double the price of spring wheat. Over a period of years, flaxseed prices tend to average about 80 percent higher than wheat prices.

HOGS

The seasonal increase in hog marketings now in progress probably will continue into January. In the late winter and early spring marketings will be reduced seasonally from the January level. For the entire year, 1940, hog marketings will be considerably larger than in 1939, but the effects on prices of the increase in supplies will be partly offset by some improvement in consumer demand. With the ratio of hog prices to corn prices now less favorable for hog producers than it has been in more than 2 years, any increase in the 1940 spring pig crop over that of 1939 is likely to be much smaller than the increase in the 1939 spring crop over that of 1938.

Prices of hogs declined almost steadily from late October through early December. For the week ended December 9, the average price of butcher hogs at Chicago was about \$5.50. This is a little lower than the low week of August and is about \$2.80 lower than the high average of the first week of September. The drop in prices since early September reflects chiefly the increase in hog marketings since that time. Inspected hog slaughter in November totaled 4,437,000 head, about 25 percent greater than in October and 13 percent larger than in November last year. Average weights of hogs at the leading markets in the past 2 months have been heavier than a year earlier and heavier than average.

Retail and wholesale prices of hog products also have declined sharply since early September. Prices of most cuts of fresh and cured pork in early December were lower than in mid-August, but the price of lard was somewhat higher. In recent weeks prices of all hog products have been lower than a year earlier; the improvement in consumer demand for meats over last year has been less percentage-wise than the increase in supplies of hog products available for domestic consumption. Pork and lard recently were added to the list of surplus commodities under the Stamp Plan. Authorization for the Federal Surplus Commodities Corporation to buy lard and certain cuts of salt pork for relief distribution also has been approved.

Although some increase in exports of hog products probably will occur in 1940 as a result of the European war, exports of both pork and lard in the last 3 months have been smaller than they were before the outbreak of the war. It is probable, however, that British imports of bacon and hams from Continental Europe will be reduced in 1940, thereby expanding the outlet for United States exports to some extent.

CATTLE

Marketings of grain-fed cattle during the winter and spring of 1940 are expected to be larger than a year earlier. The number of cattle fed this season probably will be larger than last season in both the Corn Belt and the Western States. Supplies of the lower grades of steers and cows and heifers may be less than a year earlier. But the increase in marketings of grain-fed cattle may more than offset the decrease in supplies of other cattle. Total slaughter supplies during the last half of the year are expected to be smaller than in the last half of 1939, however, and total slaughter of cattle and calves during 1940 may be slightly smaller than a year earlier.

After declining somewhat in late October and in the first half of November, prices of the better grades of slaughter steers strengthened moderately during the last half of November and in early December. The average price of good grade beef steers at Chicago for the week ended December 9 was about \$9.55, compared with \$9.70 for the first week of November and \$9.95 for the corresponding week of 1938. Prices of light weight slaughter cattle in recent months have been high in relation to prices of heavy weight cattle. Since mid-October, prices of the lower grades of slaughter cattle have advanced seasonally. Prices of stocker and feeder cattle weakened slightly during the last half of November; but the average price of stocker and feeder steers at Kansas City has remained relatively steady at about \$8.00 since early September. The average price for such cattle for November, 1938 was \$7.75.

Federally inspected slaughter of cattle in November totaled 837,000 head, or about 56,000 head less than in October and 21,000 head less than in November last year. Inspected calf slaughter of about 450,000 head also was somewhat smaller than in the preceding month and in the corresponding month of 1938.

Imports of cattle in the first 10 months of 1939 totaled about 673,000 head, compared with 338,000 head in the corresponding period of 1938. Under the trade agreement with Canada concluded in 1938, imports of cattle weighing 700 pounds and over from all countries are permitted entry at a reduced rate of duty up to 225,000 head. This quota for imports for such cattle will be in effect in 1940. According to a recent presidential proclamation, 193,500 head of the 1940 quota have been allocated to Canada.

LAMBS

For the entire fed-lamb marketing season, December-April, 1939-40, slaughter supplies of lambs probably will be larger than in the 1938-39 season. Supplies during the late months of the season, however, may be smaller than a year earlier because of the decrease in feeding operations in the Western States. For the season as a whole, the effects of the larger supplies upon prices of lambs will be offset by the stronger consumer demand for meats and the higher prices for wool obtained from slaughter lambs.

Shipments of feeder lambs into the Corn Belt were considerably larger this season than last and the movement was somewhat earlier than usual. Although the number of lambs fed in the Western States this year will be smaller than last year, the total number in feed lots on January 1 probably will be larger than a year earlier.

Slaughter supplies of sheep and lambs decreased seasonally in November. Federally inspected slaughter of sheep and lambs for the month totaled 1,469,000 head, or about 116,000 head less than in October but about 16,000 head larger than in November last year. In all previous months of the 1939-40 lamb marketing year (beginning May 1) slaughter of sheep and lambs has been smaller than a year earlier; the increase in November over a year earlier probably reflects the earlier marketings of fed lambs from Corn Belt feeding areas.

After declining moderately during most of November, prices of slaughter lambs strengthened slightly in early December. The average price of good and choice slaughter lambs at Chicago for the week ended December 9 was about \$9.05, compared with about \$9.45 for the first week of October and \$8.90 in the corresponding week of 1938. Prices of feeder lambs continued about steady in November but declined slightly in early December. The average price of good and choice feeder lambs at Omaha for the week ended December 9 was \$8.15, which was about 25 cents lower than a month earlier but about 10 cents higher than in the corresponding week of 1938.

WOOL

Prices of domestic wool at Boston declined slightly in November but they are still about 40 percent higher than before the sharp rise in September. Mixed lots of country packed 3/8 and 1/4 blood bright fleece wools sold at 44-46 cents a pound, grease basis, in the latter part of November. This indicates a decline of about 1.5 cents a pound, grease basis, during the month. Sales of wool at Boston were small in November.

Mill consumption of apparel wool in the United States in October was 38 percent greater than in October 1938. The October 1939 rate of consumption has been exceeded in only 3 months in the last 15 years. Consumption for the first 10 months of 1939 was 47 percent larger than in those months last year. Mill orders for wool fabrics at the end of October were reported to be sufficient to maintain a high rate of mill activity through January, and it appears certain that apparel wool consumption for the entire year 1939 will be close to the 1935 total of 659 million pounds, grease basis. Consumption in 1935 was the largest in recent years.

United States imports for consumption of apparel wool totaled 70 million pounds in the first 10 months of 1939 compared with only 22 million pounds in the same months last year. With supplies of wool in the United States on November 1 smaller than on that date in any recent year, a considerable increase in imports is probable in the next few months.

Tentative plans have been formulated by the British Government for the release of fine Australian wools to the United States. About 10 million pounds of such wool are available for immediate shipment. The total amount of Australian wool to be made available to the United States in the present season has not been announced. Imports of wool into the United States from Australia totaled 73 million pounds in 1937 but declined to 5 million pounds in 1938.

While the Australian and New Zealand clips have been purchased by the British Government, the South African clip is being sold in the open market. About 15 million pounds of South African wool were declared for export to the United States in October and November. Sales in foreign wool markets were small in October and in early November, and prices were steady to lower.

BUTTER

Butter prices probably have reached the seasonal peak for the winter of 1939-40. While the seasonal trend in prices during the first half of the year is downward, prices during the first half of 1940 probably will average higher than in 1939.

In October butter production was 11 percent less than a year earlier and 6 percent less than the 1934-38 October average. Poor pastures during the fall, together with an increase in consumption of fluid milk and cream resulted in a relatively small output of butter. Weekly reports indicate

that in November production was not as much below the preceding year as in September and October. The seasonal low point in production usually comes in November. During the remainder of the feeding season production may be nearly as large as in the same period of 1938-39. There are more cows on farms than a year ago and feed supplies per animal unit are relatively large.

Apparent consumption of creamery butter in October was 3 percent less than a year earlier. For the first time in 12 months the distribution of butter for relief was somewhat less than in the same month of the preceding year. From November 1938 to October 1939 the distribution of butter for relief averaged nearly 10,000,000 pounds per month. In the last 2 months relief distribution has been reduced to about one-half that amount. Total holdings of butter by Governmental agencies on December 1 were about 18,000,000 pounds.

Trade output of butter through regular commercial channels in October was about 2 percent less than a year earlier, while retail prices were 5 percent higher. Apparently consumer expenditures for butter were 3 percent higher than in October 1938, but after allowing for seasonal changes they were about the same as in September 1939. For the coming winter consumer expenditures for butter are expected to be higher than in the winter of 1938-39.

Cold storage stocks of creamery butter on December 1 were decidedly less than a year earlier but about average for that season of the year.

POULTRY AND EGGS

In general, wholesale egg prices have been declining during the past few weeks, especially on the higher quality grades. Lower egg prices, coupled with slightly higher feed prices, resulted in a rapid rise of the feed-egg ratio at Chicago during the past 2 weeks. For the week ended December 2, over 1 dozen more eggs were required to buy 100 pounds of poultry feed than in the week ended November 18 and over 2 dozen more than were required in the corresponding week last year. The feed-egg ratio usually begins to rise by the end of November but the seasonal increase since November 18 this year has been much greater than usual.

Market receipts of eggs are now increasing seasonally. Stocks of shell eggs on December 1 were 10 percent larger than a year earlier, and stocks of frozen eggs were 12 percent above a year earlier.

Market receipts of dressed poultry have been increasing seasonally, and the into-storage movement during October and November was 10 percent larger than in the same months of last year. Stocks of frozen poultry on December 1 were 8 percent larger than a year earlier. The increase was largely a result of increased stocks of turkeys and fowls. Supplies of poultry during the remainder of 1939 and early 1940 will continue larger than in the corresponding period of the 1938-39 marketing season.

The seasonal increase in the number of layers per farm flock from August 1 to December 1 was greater this year than either last year's or the

1928-37 average increase. Laying flocks on December 1 this year were 4 percent larger than a year earlier. As a result of the larger laying flocks, egg production in 1940 may be larger than in 1939. Because of the exceedingly mild weather conditions, egg production per farm flock was higher on December 1 than on November 1. In no other year on record has this been true.

POTATOES

Potato prices at market centers were practically unchanged in early December as compared with a month earlier. The average for all varieties, excluding western stock at New York City, was \$1.86 per 100 pounds during the week ended December 9 compared with \$1.85 a month earlier and \$1.40 a year earlier. Prices of midwestern varieties at Chicago averaged \$1.16 per 100 pounds in early December compared with \$1.18 in early November and \$1.28 in early December 1938. Russet Burbank prices averaged around \$1.82 against \$1.86 and \$1.73 a month and a year earlier respectively.

Market supplies are coming largely from storages in northern producing areas, where production for all areas combined is indicated to be about the same as for last year. In the Eastern late States the crop is about the same size as last year's 97 million bushels. In the Central late States the crop is about 5 million bushels smaller than it was last year and totals about 108 million bushels, but in the Western late States it is 6 million bushels larger than in 1938 and totals 83 million bushels.

TRUCK CROPS

With the source of supplies of most truck crops shifting to the Southern States and Arizona and California, market prices of these products advanced somewhat during November, and in early December averaged generally above those of a year earlier. Although some of the recent price rise may be attributed to seasonal factors, a part may be traced directly to increased consumer purchasing power this year over 1938. In some instances also decreased production has contributed to the price advances.

Prices of California lettuce and green peas declined during the last month, however, largely as a result of increased marketings.

Production prospects as of December 1 for fall and winter truck crops indicate increased supplies of cabbage, carrots, cauliflower, celery, green peppers, and tomatoes but decreased output of snap beans, cucumbers, eggplant, kale, lettuce, and spinach. The acreage of early and second early cabbage, early beets, carrots, celery, onions, and spinach, is indicated to be slightly larger than it was last year. These crops are usually marketed during the late winter and early spring months.

FRUITS

Market prices of most fruits rose slightly during November but in early December were generally slightly lower than a year earlier. Although domestic demand for fruits has improved over a year ago, increased production

in some instances and curtailed exports generally have resulted in somewhat lower prices this season.

The 1939 commercial apple crop is about one-fifth larger than in 1938, but the production of winter pears and citrus fruits is somewhat smaller. Exports of all of these fruits during recent months have been sharply curtailed by the war conditions in Europe. This loss of the export outlet has forced a larger proportion of the supply on the domestic market. It is apparent, however, that in the case of apples and pears producers have been informed of this situation and have not placed unusually large quantities in storage for the winter market. The Federal Surplus Commodities Corporation has purchased considerable quantities of apples for relief distribution, and this has tended to increase consumption during the fall months. Cold storage holdings of apples on December 1 totaled only 30.7 million bushels compared with 30.8 million bushels a year earlier and 31.5 million the 5-year average for December 1.

Citrus fruit production is indicated to be smaller than it was last year but still the second largest crop on record. The favorable influence of the reduced supply available for market together with improving consumer purchasing power probably will more than offset the unfavorable effect of reduced exports.

Index numbers: Indicated base period = 100

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Year and month	Industrial production 1/	Construction contracts awarded 1/	Fac-tory employ-ment 2/	Fac-tory rolls 2/	Income of in-dustrial workers 3/	Volume of agri-cultural exports 4/	Whole-sale prices of all commod-ities 5/	Retail food prices by far-mers 6/	Prices re-ceived by far-mers 7/	Prices paid by far-mers to prices paid 8/	Ratio of prices received to prices paid 8/	Cash income from farm mar-ketings 8/
Base period:	1923-25	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1924-29
1929	119	117	106	110	107	107	139	166	146	153	95	104
1930	96	92	92	89	88	82	126	158	126	145	87	83
1931	81	63	78	68	67	88	107	130	87	124	70	58
1932	64	28	66	47	46	94	95	108	65	107	61	43
1933	76	25	73	50	48	85	96	105	70	109	64	49
1934	79	32	86	64	61	66	109	117	90	123	73	57
1935	90	37	91	74	69	61	117	128	108	125	86	63
1936	105	55	99	86	80	55	118	130	114	124	92	74
1937	110	59	109	102	94	65	126	135	121	130	93	80
1938	86	64	90	78	73	75	115	125	95	122	78	70
1938- July	83	59	85	71	69	86	115	127	95	123	77	83
Aug.	88	66	89	77	72	76	114	124	92	122	75	72
Sept.	90	78	92	82	75	66	114	125	95	121	79	72
Oct.	96	82	92	84	76	62	113	124	95	121	79	67
Nov.	103	96	93	84	78	62	113	123	94	121	78	69
Dec.	104	96	94	87	80	54	112	125	96	120	80	68
1939- Jan.	101	86	92	84	80	61	112	123	94	120	78	68
Feb.	99	73	94	86	79	66	112	122	92	120	77	60
Mar.	98	69	94	88	79	69	112	121	91	120	76	64
Apr.	92	67	94	86	75	55	111	121	89	120	74	64
May	92	63	93	85	75	62	111	121	90	120	75	65
June	98	63	93	86	80	46	110	121	89	120	74	60
July	101	67	94	84	80	51	110	121	89	120	74	62
Aug.	103	73	96	90	83	63	109	119	88	119	74	71
Sept.	111	73	100	94	85	81	115	125	98	122	80	79
Oct. 9/	120	77	103	101	90	82	116	124	97	122	80	72
Nov. 9/							116		97	122	80	

Economic trends affecting agriculture - Continued

- 1/ Federal Reserve Board, adjusted for seasonal variation.
- 2/ Bureau of Labor Statistics, without seasonal adjustment. Revised September 1939.
- 3/ Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised October 1939.
- 4/ Foreign Agricultural Relations, July 1909-June 1914 = 100, adjusted for seasonal variation.
- 5/ Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.
- 6/ Bureau of Labor Statistics, 1923-25 = 100, converted to 1913 = 100.
- 7/ August 1909 - July 1914 = 100.
- 8/ Adjusted for seasonal variation.
- 9/ Preliminary.

